

MONROE CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	17
STATEMENT OF ACTIVITIES	18
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	19
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
STATEMENT OF NET ASSETS - PROPRIETARY FUND	23
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	24
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	25
NOTES TO FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
BUDGETARY COMPARISON SCHEDULES:	
GENERAL FUND	48
NOTE A - BUDGETARY COMPARISON SCHEDULE BUDGET-TO-GAAP RECONCILIATION	50

C O N T E N T S

	Page
COMBINING FINANCIAL STATEMENTS AND SCHEDULES:	
NONMAJOR GOVERNMENTAL FUNDS	52
COMBINING BALANCE SHEET	53
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	54
NONMAJOR PROPRIETARY FUNDS:	
COMBINING BALANCE SHEET	55
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	56
COMBINING STATEMENT OF CASH FLOWS	57
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	59
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	61

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Monroe City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2005, on our consideration of Monroe City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 48 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council
Monroe City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Monroe City. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



KIMBALL & ROBERTS, P. C.
Certified Public Accountant

November 23, 2005
Richfield, Utah

MONROE CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

This discussion of Monroe City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The City's purpose is to provide general services to its residents which includes general government, public safety, highways and public improvements and parks and recreation.

Financial Highlights

- * The assets of the City exceeded its liabilities as of the close of the most recent year by \$5,164,036 (net assets). Of this amount, \$1,283,392 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$452,117. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the City's governmental funds reported ending fund balances of \$496,175, an increase of \$148,142 in comparison with the prior year. Approximately 84 percent of this total amount, \$419,175, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$245,965, or 45 percent of total general fund expenditures.
- * The City's total debt increased by \$1,491,581 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Monroe City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public health, highways and public improvements and parks and recreation. The business-type activities of the City is the enterprise fund, containing water, electric, trash collection and irrigation services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Monroe City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Monroe City maintains two governmental funds, the general fund and capital projects fund.

The City adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Monroe City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, electric, sewer, trash collection and irrigation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Monroe City, assets exceeded liabilities by \$5,164,036 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (49 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Monroe City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	533,120	254,103	2,217,005	955,523	2,750,125	1,209,626
Capital Assets	1,648,559	1,346,245	3,238,871	3,000,116	4,887,430	4,346,361
Total Assets	2,181,679	1,600,348	5,455,876	3,955,639	7,637,555	5,555,987
Long-Term Liabilities	170,871	-	2,199,878	858,297	2,370,749	858,297
Other Liabilities	3,945	52,492	65,825	60,491	69,770	112,983
Total Liabilities	174,816	52,492	2,265,703	918,788	2,440,519	971,280
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	1,498,559	1,346,245	1,033,993	2,141,819	2,532,552	3,488,064
Restricted	77,000	78,000	1,271,092	151,037	1,348,092	229,037
Unrestricted	398,304	123,611	885,088	743,995	1,283,392	867,606
Total Net Assets	1,973,863	1,547,856	3,190,173	3,036,851	5,164,036	4,584,707

A portion of the City's net assets (26 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,283,392, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's net assets by \$298,795. Key elements of this increase follows:

Monroe City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	236,574	105,332	1,212,647	1,187,724	1,449,221	1,293,056
Operating Grants	163,090	136,830			163,090	136,830
Capital Grants	250,000	69,679	-	-	250,000	69,679
General Revenues:						
Property Taxes	71,505	70,136	-	-	71,505	70,136
Other Taxes	208,248	173,426	-	-	208,248	173,426
Impact Fees			31,465	42,000		
Unrestricted Investment Earnings	10,978	2,772	23,554	9,334	34,532	12,106
Total Revenues	940,395	558,175	1,267,666	1,239,058	2,176,596	1,755,233
Expenses:						
General Government	133,428	140,368	1,092,013	1,046,810	1,225,441	1,187,178
Public Safety	170,670	171,191	-	-	170,670	171,191
Highways	215,800	120,822	-	-	215,800	120,822
Parks and Recreation	121,702	71,801	-	-	121,702	71,801
Interest on Long-Term Debt	-	-	22,331	22,998	22,331	22,998
Total Expenses	641,600	504,182	1,114,344	1,069,808	1,755,944	1,573,990
Decrease in Net Assets Before Transfers	298,795	53,993	153,322	169,250	452,117	223,243
Transfers	-	-	-	-	-	-
Increase in Net Assets	298,795	53,993	153,322	169,250	452,117	223,243
Net Assets - Beginning	1,675,068	1,621,075	3,036,851	2,867,601	4,711,919	4,488,676
Net Assets - Ending	1,973,863	1,675,068	3,190,173	3,036,851	5,164,036	4,711,919

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the City's net assets by \$153,322. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental funds reported ending fund balance of \$496,175 an increase of \$148,142 in comparison with the prior year. Approximately 84 percent of this amount, \$419,175 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already be committed to: 1) highways and public improvements of \$77,000.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$245,965, while total fund balance reached \$322,965. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45 percent of total general fund expenditures, while total fund balance represents 60 percent of that same amount.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$885,088. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$840,488, was a reduction of \$123,688, and can be summarized as follows:

- * \$10,290 increase in general government.
- * \$310,680 decrease in public safety.
- * \$86,700 increase in highways and public improvements.
- * \$90,002 increase in parks and recreation.

Of the total general fund expenditures, none was funded out of prior year's unreserved fund balance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2005, was \$1,648,559 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and public improvements.

Significant additions during this fiscal year were a Pickup Truck for \$13,500 and a new firehouse for \$400,875.

Monroe City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	257,000	257,000	34,875	34,875	291,875	291,875
Water Shares	-	-	102,533	102,533	102,533	102,533
Infrastructure	666,000	742,500	-	-	666,000	742,500
Buildings	562,159	179,320	730,944	513,432	1,293,103	692,752
Water and Irrigation System	-	-	2,359,965	2,329,315	2,359,965	2,329,315
Equipment	163,400	167,425	10,554	19,961	173,954	187,386
Total	1,648,559	1,346,245	3,238,871	3,000,116	4,887,430	4,346,361

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had revenue bonds outstanding of \$2,349,878.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	150,000	-	2,199,878	858,297	2,349,878	858,297
General Obligation	-	-	-	-	-	-
Total Long-Term Debt	150,000	-	2,199,878	858,297	2,349,878	858,297

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$6,800,000. The total general obligation debt at year end was \$0.

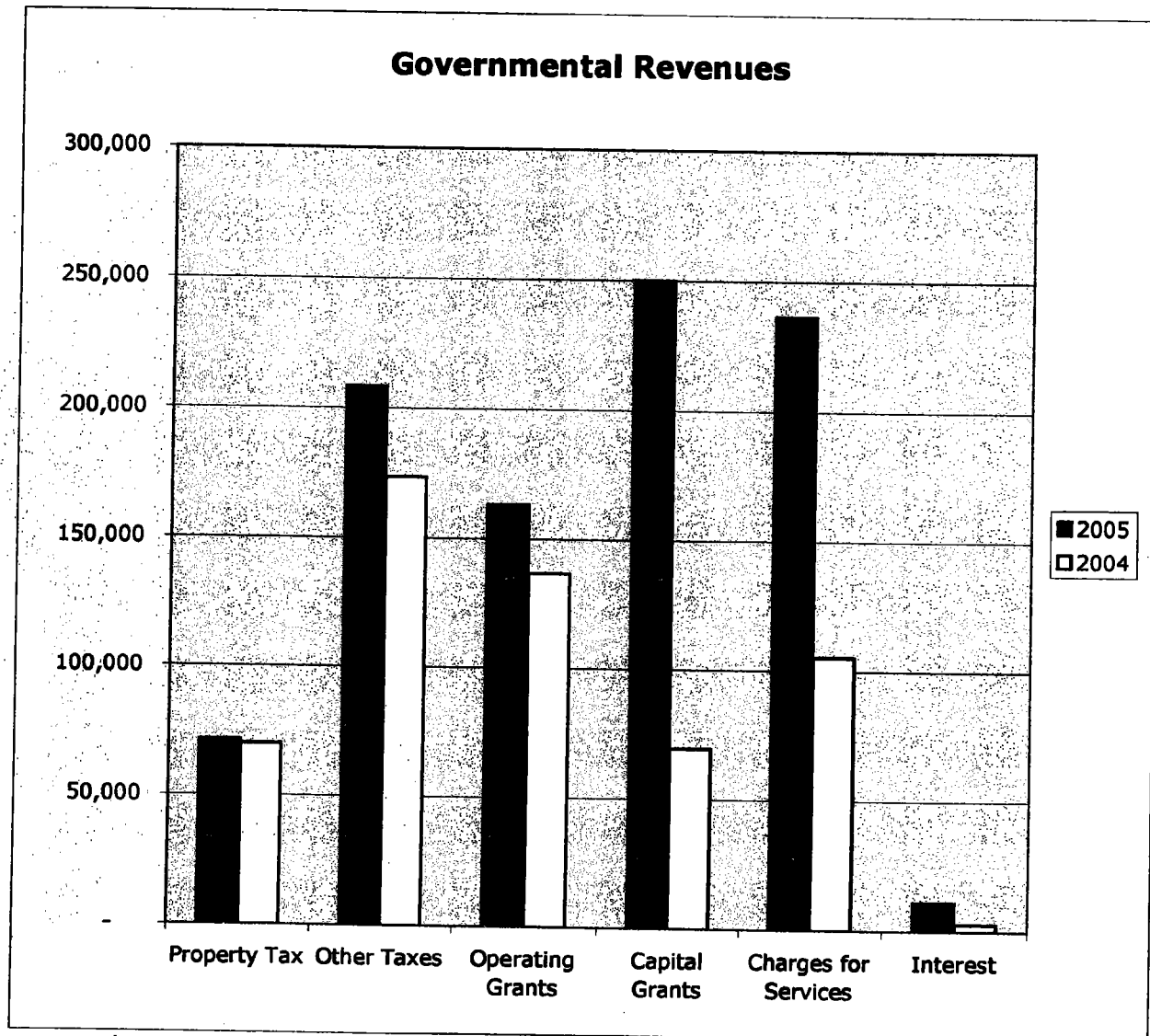
Additional information on the City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Monroe City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monroe City Recorder, 10 North Main, Monroe, Utah, 84754.

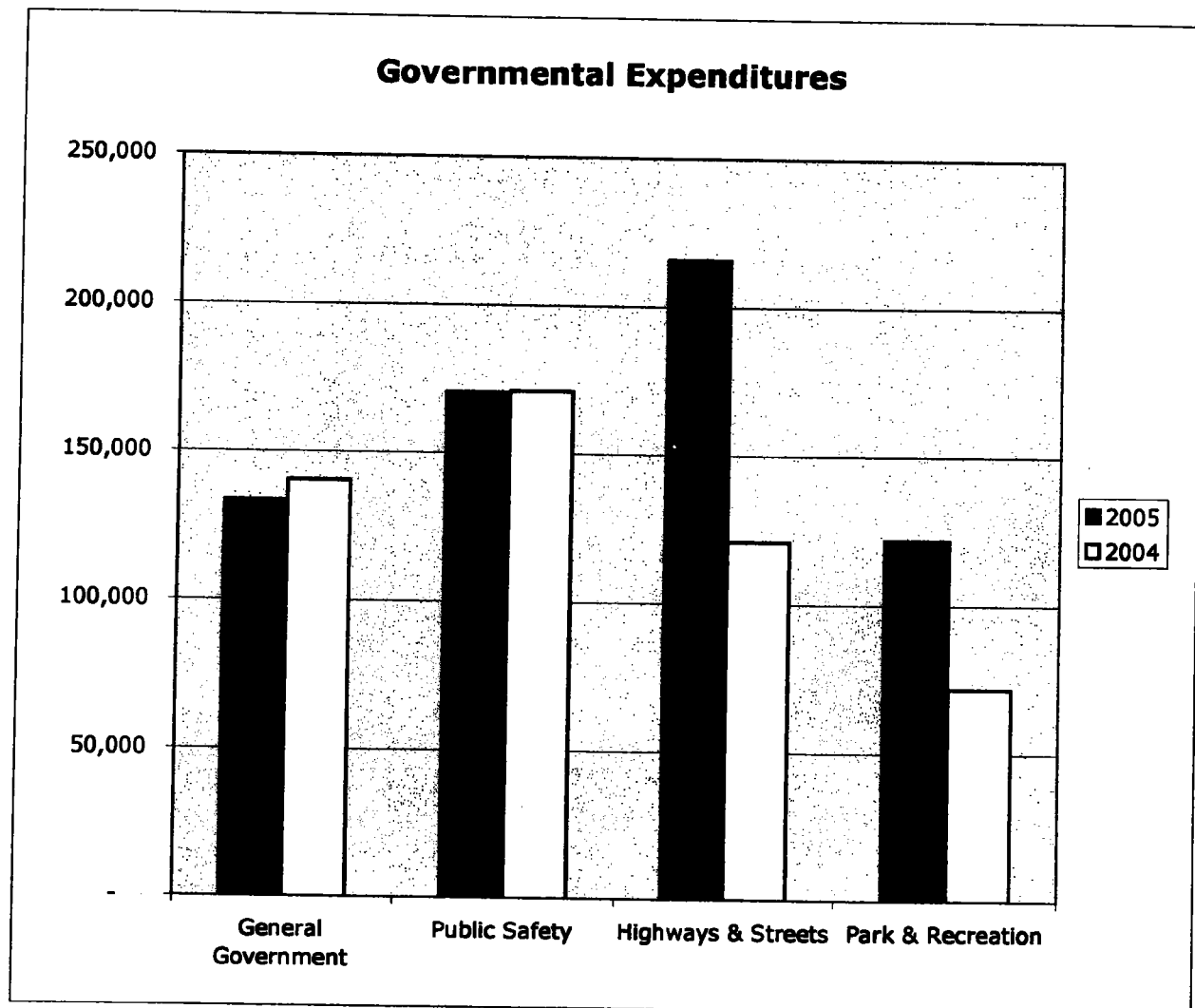
Monroe City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Property Tax	71,505	70,136
Other Taxes	208,248	173,426
Operating Grants	163,090	136,830
Capital Grants	250,000	69,679
Charges for Services	236,574	105,332
Interest	10,978	2,772
Total Revenues	940,395	558,175



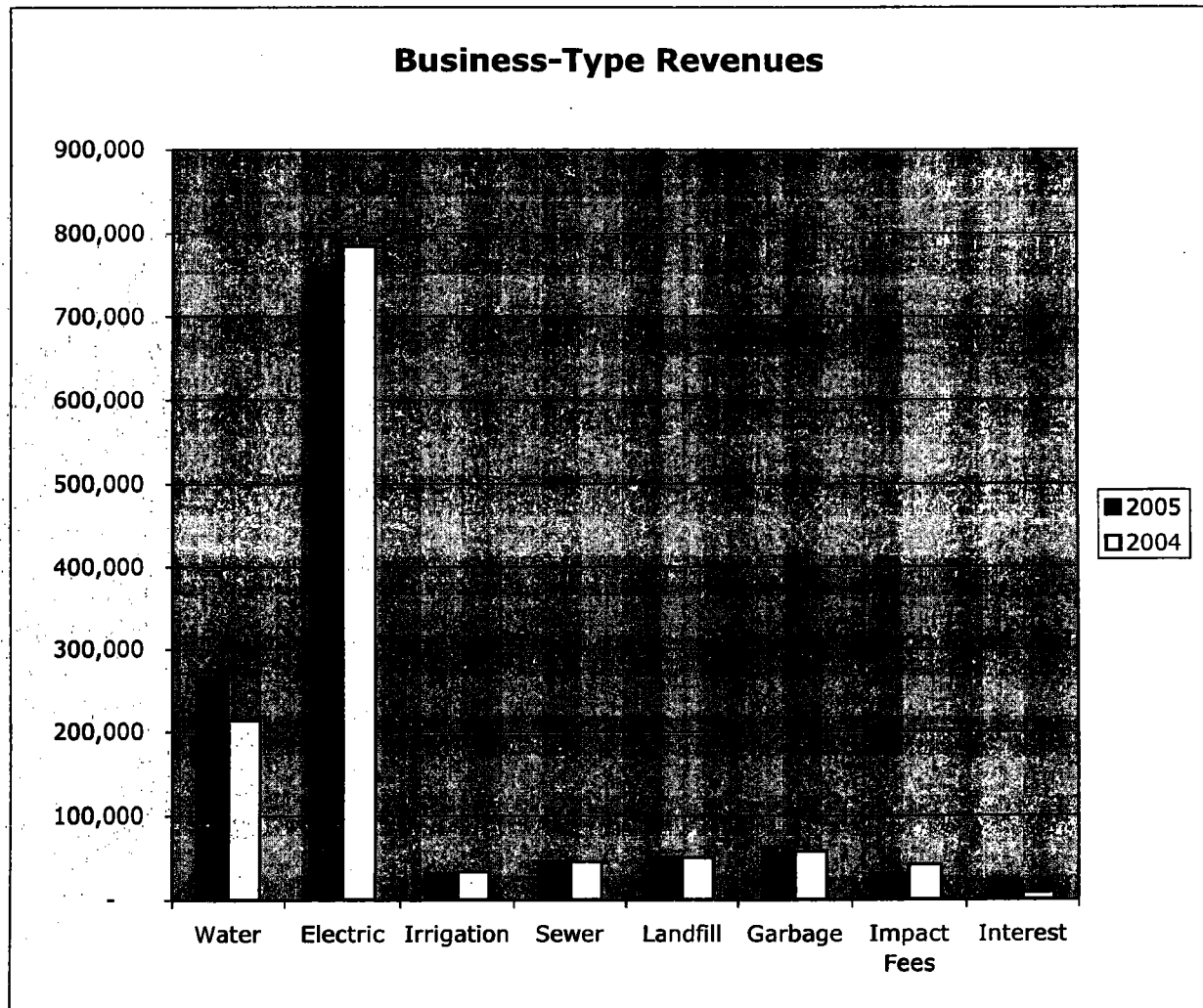
Monroe City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
General Government	133,428	140,368
Public Safety	170,670	171,191
Highways & Streets	215,800	120,822
Park & Recreation	121,702	71,801
Total Expenditures	<u>641,600</u>	<u>504,182</u>



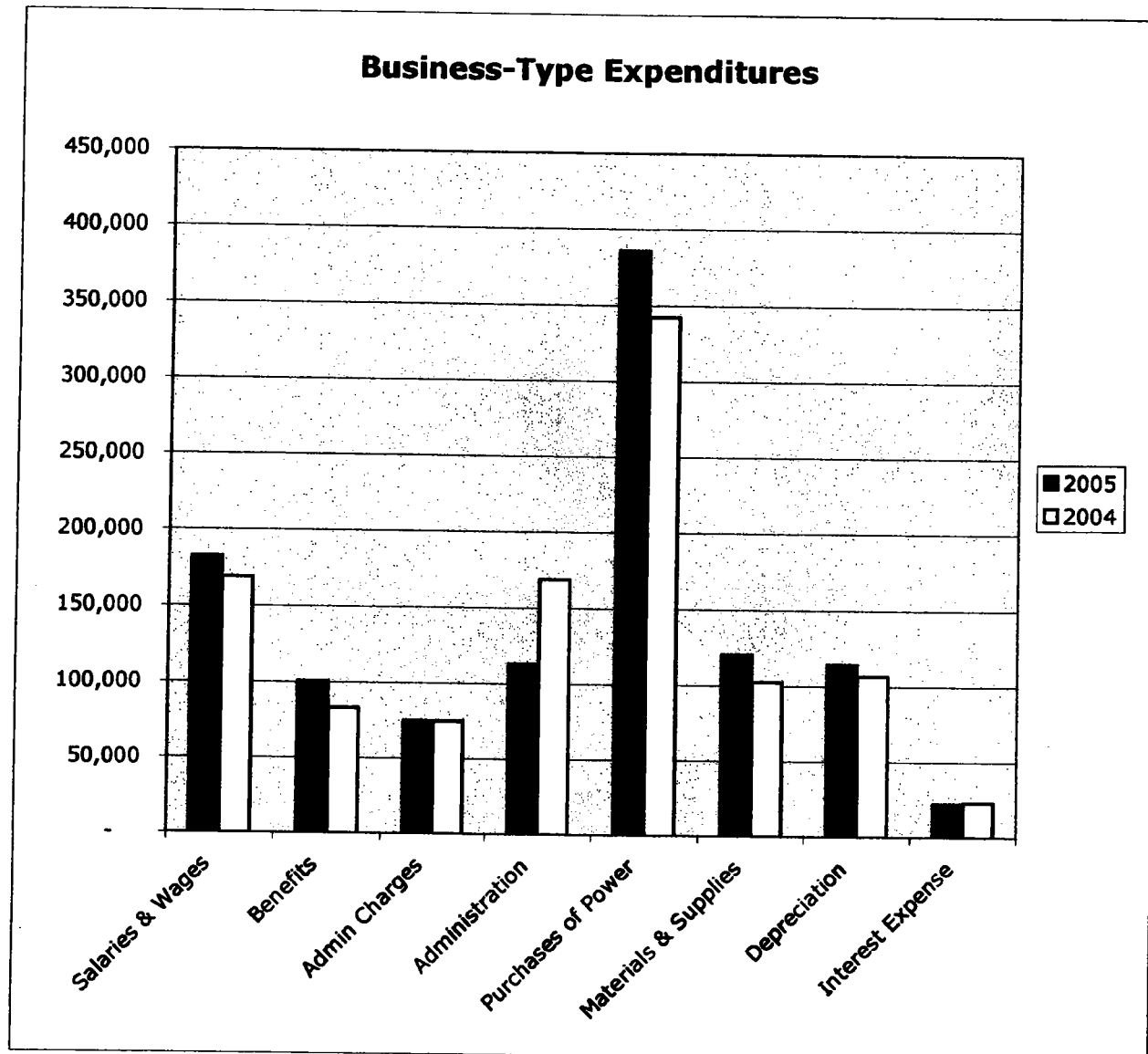
Monroe City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Water	266,932	214,825
Electric	753,467	784,495
Irrigation	32,170	33,624
Sewer	46,964	46,244
Landfill	51,079	50,288
Garbage	62,035	58,248
Impact Fees	31,465	42,000
Interest	23,554	9,334
Total Revenues	1,267,666	1,239,058



Monroe City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Salaries & Wages	182,348	168,534
Benefits	100,631	83,075
Admin Charges	74,780	74,737
Administration	113,208	168,824
Purchases of Power	385,583	342,180
Materials & Supplies	120,744	102,600
Depreciation	114,719	106,860
Interest Expense	22,331	22,998
Total Expenditures	1,114,344	1,069,808



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**MONROE CITY
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	375,612	2,057,422	2,433,034
Accounts Receivable (Net)	-	109,583	109,583
Due From Other Government Units	157,508	-	157,508
Total Current Assets	533,120	2,167,005	2,700,125
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	50,000	50,000
Capital Assets (Net of Accumulated Depreciation):			
Land	257,000	34,875	291,875
Water Shares	-	102,533	102,533
Buildings	562,159	501,242	1,063,401
Improvements Other Than Buildings	-	2,359,965	2,359,965
Equipment	163,400	10,554	173,954
Infrastructure	666,000	-	666,000
Contruction in Progress	-	229,702	229,702
Total Noncurrent Assets	1,648,559	3,288,871	4,937,430
TOTAL ASSETS	2,181,679	5,455,876	7,637,555
LIABILITIES			
Current Liabilities:			
Accounts Payable	9,646	41,228	50,874
Accrued Liabilities	27,299	20,865	48,164
Deposits Payable	-	3,732	3,732
Revenue Bonds Payable - Due Within One Year	6,000	35,528	41,528
Total Current Liabilities	42,945	101,353	144,298
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	144,000	2,164,350	2,308,350
Compensated Absences	20,871	-	20,871
Total Noncurrent Liabilities	164,871	2,164,350	2,329,221
TOTAL LIABILITIES	207,816	2,265,703	2,473,519
NET ASSETS			
Investment in Capital Assets, Net of Debt	1,498,559	1,033,993	2,532,552
Restricted For:			
Bond Retirement	-	50,000	50,000
Class C Road	77,000	-	77,000
Capital Outlay	-	1,145,298	1,145,298
Impact Fees	-	75,794	75,794
Unrestricted	398,304	885,088	1,283,392
TOTAL NET ASSETS	1,973,863	3,190,173	5,164,036
TOTAL LIABILITIES AND NET ASSETS	2,181,679	5,455,876	7,637,555

The notes to the financial statements are an integral part of this statement.

**MONROE CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	
Governmental Activities:					
General Government	133,428	216,304	-	-	82,876
Public Safety	170,670	-	69,228	250,000	148,558
Streets and Public Improvements	215,800	-	85,320	-	(130,480)
Park and Recreation	121,702	20,270	8,542	-	(92,890)
Interest on Long-Term Debt	-	-	-	-	(22,331)
Total Governmental Activities	641,600	236,574	163,090	250,000	(14,267)
Business-Type Activities:					
Water Funds	223,910	266,932	-	-	43,022
Electric Funds	742,622	753,467	-	-	10,845
Irrigation Funds	19,380	32,170	-	-	12,790
Nonmajor Funds	106,101	160,078	-	-	53,977
Total Business-Type Activities	1,092,013	1,212,647	-	-	120,634
Total Primary Government	1,733,613	1,449,221	163,090	250,000	106,367
General Revenues:					
Property Taxes		71,505	-	-	71,505
Fee-In-Lieu of Property Taxes		31,997	-	-	31,997
Sales Taxes		150,720	-	-	150,720
Telecommunication Taxes		22,918	-	-	22,918
Franchise Taxes		2,613	-	-	2,613
Interest Earnings		10,978	23,554	-	34,532
Impact Fees		-	31,465	-	31,465
Total General Revenues and Transfers		290,731	55,019		345,750
Change in Net Assets		298,795	153,322		452,117
Net Assets - Beginning		1,675,068	3,036,851		4,711,919
Net Assets - Ending		1,973,863	3,190,173		5,164,036

The notes to the financial statements are an integral part of this statement.

**MONROE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	202,402	173,210	375,612
Due From Other Government Units	<u>157,508</u>	<u>-</u>	<u>157,508</u>
TOTAL ASSETS	<u><u>359,910</u></u>	<u><u>173,210</u></u>	<u><u>533,120</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	9,646	-	9,646
Accrued Liabilities	<u>27,299</u>	<u>-</u>	<u>27,299</u>
Total Liabilities	<u><u>36,945</u></u>	<u><u>-</u></u>	<u><u>36,945</u></u>
Fund Balances:			
Reserved For:			
Class "C" Road	77,000	-	77,000
Unreserved, Reported In:			
General Fund	245,965	-	245,965
Municipal Building Authority	-	933	933
Capital Project Fund	-	41,428	41,428
Perpetual Care	<u>-</u>	<u>130,849</u>	<u>130,849</u>
Total Fund Balance	<u><u>322,965</u></u>	<u><u>173,210</u></u>	<u><u>496,175</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>359,910</u></u>	<u><u>173,210</u></u>	<u><u>533,120</u></u>

The notes to the financial statements are an integral part of this statement.

MONROE CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	496,175
---	---------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	257,000	
Buildings	562,159	
Equipment	163,400	
Infrastructure	<u>666,000</u>	

Total		1,648,559
-------	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Lease Revenue Bonds Payable	(150,000)	
Compensated Absences	<u>(20,871)</u>	

Total		<u>(170,871)</u>
-------	--	------------------

Net Assets of Government Activities	<u><u>1,973,863</u></u>
-------------------------------------	-------------------------

MONROE CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues:			
Taxes	279,753	-	279,753
Licenses and Permits	3,954	-	3,954
Intergovernmental Revenue	233,090	-	233,090
Charges for Services	20,966	-	20,966
Interest	9,171	1,808	10,979
Perpetual Care	-	3,637	3,637
Miscellaneous Revenues	138,017	-	138,017
Total Revenues	684,951	5,445	690,396
Expenditures:			
Current:			
General Government	126,768	-	126,768
Public Safety	146,374	-	146,374
Streets and Public Improvements	150,250	-	150,250
Parks and Recreation	117,987	-	117,987
Capital Outlay	-	400,875	400,875
Total Expenditures	541,379	400,875	942,254
Excess Revenues Over (Under) Expenditures	143,572	(395,430)	(251,858)
Other Financing Sources (Uses):			
Transfer to Capital Projects Fund	11,347	(11,347)	-
Transfer From Capital Projects Fund	(11,300)	11,300	-
Loan Proceeds	-	150,000	150,000
Grant Proceeds	-	250,000	250,000
Total Other Financing	47	399,953	400,000
Net Change In Fund Balance	143,619	4,523	148,142
Fund Balance - Beginning	179,346	168,687	348,033
Fund Balance - Ending	322,965	173,210	496,175

The notes to the financial statements are an integral part of this statement.

MONROE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	148,142
---	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	414,375	
Depreciation Expense	<u>(112,062)</u>	
Total		302,313

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Loan Proceeds	(150,000)
---------------	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	<u>(1,660)</u>
----------------------	----------------

Changes In Net Assets of Governmental Activities	<u><u>298,795</u></u>
--	-----------------------

**MONROE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund				
	Water Fund	Electric Fund	Irrigation Fund	Nonmajor Funds	Totals
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	1,374,612	265,588	151,192	266,030	2,057,422
Accounts Receivable	26,044	65,950	2,790	14,799	109,583
Total Current Assets	<u>1,400,656</u>	<u>331,538</u>	<u>153,982</u>	<u>280,829</u>	<u>2,167,005</u>
Noncurrent Assets:					
Investments - Restricted:					
Bond Reserves	47,000	-	3,000	-	50,000
Capital Assets: (Net of Accum. Depr.)					
Land	-	22,700	12,175	-	34,875
Water Rights	88,755	-	13,778	-	102,533
Buildings	229,702	501,242	-	-	730,944
Improvements Other Than Buildings	1,535,068	292,631	532,266	-	2,359,965
Machinery and Equipment	3,408	7,146	-	-	10,554
Total Noncurrent Assets	<u>1,903,933</u>	<u>823,719</u>	<u>561,219</u>	<u>-</u>	<u>3,288,871</u>
TOTAL ASSETS	<u><u>3,304,589</u></u>	<u><u>1,155,257</u></u>	<u><u>715,201</u></u>	<u><u>280,829</u></u>	<u><u>5,455,876</u></u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	-	35,948	-	5,280	41,228
Deposits Payable	-	20,865	-	-	20,865
Accrued Liabilities	-	3,732	-	-	3,732
Bonds Payable - Current Portion	30,528	-	5,000	-	35,528
Total Current Liabilities	<u>30,528</u>	<u>60,545</u>	<u>5,000</u>	<u>5,280</u>	<u>101,353</u>
Noncurrent Liabilities:					
Bonds Payable - Long-Term Portion	2,079,350	-	85,000	-	2,164,350
Total Noncurrent Liabilities	<u>2,079,350</u>	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>2,164,350</u>
TOTAL LIABILITIES	<u>2,109,878</u>	<u>60,545</u>	<u>90,000</u>	<u>5,280</u>	<u>2,265,703</u>
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	(252,945)	823,719	463,219	-	1,033,993
Restricted for:					
Bond Reserves	47,000	-	3,000	-	50,000
Capital Outlays	1,145,298	-	-	-	1,145,298
Impact Fees	75,794	-	-	-	75,794
Unrestricted	179,564	270,993	158,982	275,549	885,088
TOTAL NET ASSETS	<u>1,194,711</u>	<u>1,094,712</u>	<u>625,201</u>	<u>275,549</u>	<u>3,190,173</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,304,589</u></u>	<u><u>1,155,257</u></u>	<u><u>715,201</u></u>	<u><u>280,829</u></u>	<u><u>5,455,876</u></u>

The notes to the financial statements are an integral part of this statement.

MONROE CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES

June 30, 2005

Business-Type Activity
Enterprise Fund

	Water Fund	Electric Fund	Irrigation Fund	Nonmajor Funds	Totals
Operating Revenues:					
Charges for Sales and Services:					
Water	251,092	-	-	-	251,092
Electric	-	745,906	-	-	745,906
Irrigation	-	-	32,170	-	32,170
Sewer	-	-	-	46,964	46,964
Landfill	-	-	-	51,079	51,079
Garbage	-	-	-	62,035	62,035
Connection Fees	10,410	-	-	-	10,410
Administrative Charge	4,780	-	-	-	4,780
Other	650	7,561	-	-	8,211
Total Operating Revenues	266,932	753,467	32,170	160,078	1,212,647
Operating Expenses:					
Salaries	67,549	114,799	-	-	182,348
Fringe Benefits	43,414	57,217	-	-	100,631
Administrative Charge	-	70,000	4,780	-	74,780
Administration	-	7,107	-	106,101	113,208
Purchased Power	-	385,583	-	-	385,583
Material and Supplies	46,140	77,374	-	-	123,514
Depreciation	66,807	30,542	14,600	-	111,949
Total Operating Expenses	223,910	742,622	19,380	106,101	1,092,013
Operating Income	43,022	10,845	12,790	53,977	120,634
Nonoperating Revenues (Expenses):					
Investment Earnings	13,259	3,916	2,983	3,396	23,554
Impact Fees	31,465	-	-	-	31,465
Interest Expense	(22,331)	-	-	-	(22,331)
Transfer to Water Fund	-	-	(47,286)	-	(47,286)
Transfer from Irrigation Fund	47,286	-	-	-	47,286
Total Nonoperating Revenues (Expenses)	69,679	3,916	(44,303)	3,396	32,688
Change in Net Assets	112,701	14,761	(31,513)	57,373	153,322
Total Net Assets - Beginning	1,082,010	1,079,951	656,714	218,176	3,036,851
Total Net Assets - Ending	1,194,711	1,094,712	625,201	275,549	3,190,173

The notes to the financial statements are an integral part of this statement.

**MONROE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activities Enterprise Fund				
	Water Fund	Electric Fund	Irrigation Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities:					
Receipts From Customers	265,925	750,935	31,869	158,925	1,207,654
Payments to Suppliers	(89,554)	(592,354)	(4,780)	(105,696)	(792,384)
Payments to Employees	(67,549)	(114,799)	-	-	(182,348)
Net Cash Provided by Operating Activities	<u>108,822</u>	<u>43,782</u>	<u>27,089</u>	<u>53,229</u>	<u>232,922</u>
Cash Flows from Noncapital Financing Activities:					
Transfers to (From) Other Funds	<u>51,286</u>	<u>(18,000)</u>	<u>(33,286)</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Interest Payment on Long-Term Debt	(22,331)	-	-	-	(22,331)
Principal Payment on Long-Term Debt	(28,419)	-	(5,000)	-	(33,419)
Capital Outlay	(350,702)	-	-	-	(350,702)
Loan Proceeds	1,375,000	-	-	-	1,375,000
Impact Fee Revenue	<u>31,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,465</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,005,013</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>1,000,013</u>
Cash Flows from Investing Activities:					
Interest Earned on Investments	<u>13,259</u>	<u>3,916</u>	<u>2,983</u>	<u>3,396</u>	<u>23,554</u>
Increase (Decr.) Cash and Cash Equivalents	1,178,380	29,698	(8,214)	56,625	1,256,489
Cash and Cash Equivalents - Beginning	<u>243,232</u>	<u>235,890</u>	<u>162,406</u>	<u>209,405</u>	<u>850,933</u>
Cash and Cash Equivalents - Ending	<u>1,421,612</u>	<u>265,588</u>	<u>154,192</u>	<u>266,030</u>	<u>2,107,422</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:					
Operating Income	<u>43,022</u>	<u>10,845</u>	<u>12,790</u>	<u>53,977</u>	<u>120,634</u>
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:					
Depreciation	66,807	30,542	14,600	-	111,949
Increase (Decrease) in Operating Assets:					
Accounts Receivable	(1,007)	(2,532)	(301)	(1,153)	(4,993)
Accounts Payable	-	2,122	-	405	2,527
Deposits Payable	-	2,892	-	-	2,892
Sales Tax Payable	-	(87)	-	-	(87)
Total Adjustments	<u>65,800</u>	<u>32,937</u>	<u>14,299</u>	<u>(748)</u>	<u>112,288</u>
Net Cash Provided (Used) by Operating Activities	<u>108,822</u>	<u>43,782</u>	<u>27,089</u>	<u>53,229</u>	<u>232,922</u>

The notes to the financial statements are an integral part of this statement.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Monroe City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity:

Monroe City is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Monroe City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Monroe City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government also reports the following Other Governmental Funds:

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to the City for City purposes.

Capital Project Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Proprietary Funds:

The utility funds accounts for the activities of the City water, electric, irrigation, sewer, landfill and garbage operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**MONROE CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	60 Years
Improvements Other Than Buildings	60 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fiscal Procedures Act for Utah Cities require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

F. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

G. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Cash On Hand	200
Demand Deposits - Checking	298,246
Investment - PTIF	<u>2,184,588</u>
 Total Cash and Investments	 <u><u>2,483,034</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	375,612
Business-Type Activities - Unrestricted	2,057,422
Business-Type Activities - Restricted	<u>50,000</u>
 Total Cash and Cash Equivalents	 <u><u>2,483,034</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invest in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

**MONROE CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk:

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addressed each of these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the City are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the City's demand deposits, \$100,000 are covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Culinary Water Revenue Bonds:

The Culinary Water Revenue Bonds require the following bond reserves:

	<u>Yearly Requirements</u>	<u>Maximum Amount</u>	<u>Total Reserves</u>
Rural Development	1,090	11,000	8,000
Community Impact Board	3,667	21,000	21,000
Drinking Water Board	1,885	18,000	18,000
Community Impact Board	833	5,000	3,000
Drinking Water Board - 2005	7,500	75,000	-
Total Reserves			<u>50,000</u>

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts Receivable in the Proprietary Fund represents monies owed the City by customers for Utility services.

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

This account represents monies due from the State of Utah for Class C Roads, Sales Taxes and Telecommunication Taxes.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	179,000	-	-	179,000
Land Related to Infrastructure	<u>78,000</u>	<u>-</u>	<u>-</u>	<u>78,000</u>
 Total Capital Assets Not Being Depreciated	 <u>257,000</u>	 <u>-</u>	 <u>-</u>	 <u>257,000</u>
 Capital Assets Being Depreciated:				
Buildings	320,600	400,875	-	721,475
Equipment	352,000	13,500	-	365,500
Infrastructure	<u>1,530,000</u>	<u>-</u>	<u>-</u>	<u>1,530,000</u>
 Total Capital Assets Being Depreciated	 <u>2,202,600</u>	 <u>414,375</u>	 <u>-</u>	 <u>2,616,975</u>
 Less Accumulated Depreciation For:				
Buildings	141,280	18,036	-	159,316
Equipment	184,575	17,525	-	202,100
Infrastructure	<u>787,500</u>	<u>76,500</u>	<u>-</u>	<u>864,000</u>
 Total Accumulated Depreciation	 <u>1,113,355</u>	 <u>112,061</u>	 <u>-</u>	 <u>1,225,416</u>
 Total Capital Assets Being Depreciated (Net)	 <u>1,089,245</u>	 <u>302,314</u>	 <u>-</u>	 <u>1,391,559</u>
 Governmental Activities Capital Assets, Net	 <u>1,346,245</u>	 <u>302,314</u>	 <u>-</u>	 <u>1,648,559</u>

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being				
Depreciated:				
Land	34,875	-	-	34,875
Water Stock	102,533	-	-	102,533
Construction In Progress	-	229,702	-	229,702
 Total Capital Assets Not Being Depreciated	<u>137,408</u>	<u>229,702</u>	<u>-</u>	<u>367,110</u>
 Capital Assets Being				
Depreciated:				
Buildings	730,182	-	-	730,182
Equipment	404,257	-	-	404,257
Utility Systems	3,195,212	121,000	-	3,316,212
 Total Capital Assets Being Depreciated	<u>4,329,651</u>	<u>121,000</u>	<u>-</u>	<u>4,450,651</u>
 Less Accumulated				
Depreciation For:				
Buildings	216,750	12,190	-	228,940
Equipment	384,294	9,409	-	393,703
Utility Systems	865,897	90,350	-	956,247
 Total Accumulated Depreciation	<u>1,466,941</u>	<u>111,949</u>	<u>-</u>	<u>1,578,890</u>
 Total Capital Assets Being Depreciated (Net)	<u>2,862,710</u>	<u>9,051</u>	<u>-</u>	<u>2,871,761</u>
 Business Type Activities Capital Assets, Net	<u>3,000,118</u>	<u>238,753</u>	<u>-</u>	<u>3,238,871</u>
 Total Capital Assets	<u>4,346,363</u>	<u>541,067</u>	<u>-</u>	<u>4,887,430</u>

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
General Government	5,000	-	5,000
Public Safety	24,296	-	24,296
Public Health	-	111,949	111,949
Highways and Public Improvements	79,050	-	79,050
Parks and Recreation	3,715	-	3,715
Total Depreciation Expense	<u>112,061</u>	<u>111,949</u>	<u>224,010</u>

NOTE 7 - WATER SHARES

The Utility Fund has water shares which are shown on the balance sheet at a cost of \$102,533. The current value of the water shares is in excess of the cost.

NOTE 8 - MUNICIPAL BUILDING AUTHORITY

On October 2, 2003, the Monroe City Council created the Municipal Building Authority to acquire, improve or extend one or more projects and to finance their costs on behalf of the public body that created it and to all other lawful things allowed by law for this type of corporation. The trustees of the Building Authority are the Mayor and Monroe City Council.

NOTE 9 - LONG-TERM DEBT

General Long-Term Debt

Compensated Absences:

Compensated absences of Monroe City, in the general long-term debt account group, represent accrued vacation at June 30, 2005, in the amount of \$20,871.

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Compensated Absences	<u>19,210</u>	<u>1,661</u>	<u>-</u>	<u>20,871</u>

**MONROE CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Series 2004 Lease Revenue Bonds:

On August 30, 2004, the Municipal Building Authority of Monroe City approved the issuance of Series 2004 Lease Revenue Bonds in the amount of \$150,000 for the purpose of constructing a fire house and related improvements. The terms of the lease require yearly payments beginning January 1, 2006 including interest at 2.5%.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	6,000	3,750	9,750
2006/2007	6,000	3,600	9,600
2007/2008	6,000	3,450	9,450
2008/2009	6,000	3,300	9,300
2009/2010	7,000	3,150	10,150
2011/2015	35,000	13,125	48,125
2016/2020	40,000	8,500	48,500
2021/2025	44,000	3,350	47,350
Total	<u>150,000</u>	<u>42,225</u>	<u>192,225</u>

The following is a schedule of changes in bonds payable:

	<u>Outstanding June 30, 2004</u>	<u>Issued</u>	<u>Matured</u>	<u>Outstanding June 30, 2005</u>
Lease Revenue Bonds - Series 2004	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>

Utility Long-Term Debt

Culinary Water Revenue Bonds - 1998A:

During 1998 the City issued Revenue Bonds in the amount of \$400,000 for improvement to the Culinary Water System. The bonds require yearly payments on April 1st of each year and carry an interest rate of 2.5%.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	14,000	8,125	22,125
2006/2007	14,000	7,775	21,775
2007/2008	14,000	7,425	21,425
2008/2009	15,000	7,075	22,075
2009/2010	15,000	6,700	21,700
2011/2015	80,000	27,725	107,725
2016/2020	91,000	17,200	108,200
2021/2025	<u>82,000</u>	<u>5,175</u>	<u>87,175</u>
Total	<u>325,000</u>	<u>87,200</u>	<u>412,200</u>

Culinary Water Revenue Bonds - 1998B:

During 1998 the City issued Revenue Bonds in the amount of \$300,000 for improvement to the Culinary Water System. The bonds require yearly payments on January 1st of each year and carry an interest rate of 2.28%.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	14,000	5,107	19,107
2006/2007	14,000	4,788	18,788
2007/2008	14,000	4,469	18,469
2008/2009	15,000	4,150	19,150
2009/2010	15,000	3,808	18,808
2011/2015	81,000	13,749	94,749
2016/2020	<u>71,000</u>	<u>4,081</u>	<u>75,081</u>
Total	<u>224,000</u>	<u>40,152</u>	<u>264,152</u>

Culinary Water Revenue Bonds - 1998C:

During 2002 the City issued Revenue Bonds in the amount of \$200,000 for improvement to the Culinary Water System. The bonds require yearly payments on January 1st of each year and carry an interest rate of 4.5%.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	2,528	8,368	10,896
2006/2007	2,641	8,255	10,896
2007/2008	2,760	8,136	10,896
2008/2009	2,884	8,012	10,896
2009/2010	3,014	7,882	10,896
2011/2015	17,232	37,248	54,480
2016/2020	21,473	33,007	54,480
2021/2025	26,761	27,719	54,480
2026/2030	33,348	21,132	54,480
2031/2035	41,557	12,923	54,480
2036/2040	<u>31,680</u>	<u>2,992</u>	<u>34,672</u>
Total	<u>185,878</u>	<u>175,674</u>	<u>361,552</u>

Irrigation Water Revenue Bonds, Series 2002:

In June of 2003 the city authorized the issuance of Irrigation Water revenue Bonds in the amount of \$100,000 from the State of Utah community Impact Board to help finance the enlargement of an existing water regulating pond for the City's secondary irrigation system. The bonds were issued in August of 2002 and the terms of the agreement require yearly payments of \$5,000 over 20 years with 0% interest.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	5,000	-	5,000
2006/2007	5,000	-	5,000
2007/2008	5,000	-	5,000
2008/2009	5,000	-	5,000
2009/2010	5,000	-	5,000
2011/2015	25,000	-	25,000
2016/2020	25,000	-	25,000
2021/2025	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total	<u>90,000</u>	<u>-</u>	<u>90,000</u>

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Cullinary Water Revenue Bonds - 2005:

On April 26, 2005, Monroe City approved the issuance of a Parity Revenue Bond, Series 2005 in the amount of \$1,375,000 for the purpose of providing funds to finance all or part of the cost of improving the culinary water system of Monroe City. The project consists of building a microfiltration plant in Monroe Canyon. The bonds were issued with an interest rate of 2.59%.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	-	-	-
2006/2007	40,000	35,613	75,613
2007/2008	41,000	34,577	75,577
2008/2009	42,000	33,515	75,515
2009/2010	43,000	32,427	75,427
2011/2015	232,000	144,885	376,885
2016/2020	263,000	113,235	376,235
2021/2025	300,000	77,337	377,337
2026/2030	341,000	36,417	377,417
2031/2035	<u>73,000</u>	<u>1,891</u>	<u>74,891</u>
Total	<u>1,375,000</u>	<u>509,897</u>	<u>1,884,897</u>

The following is a summary of total utility debt service charges for revenue bonds to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	35,528	22,331	57,859
2006/2007	75,641	21,600	97,241
2007/2008	76,760	20,818	97,578
2008/2009	79,884	20,030	99,914
2009/2010	81,014	19,237	100,251
2011/2015	435,232	83,217	518,449
2016/2020	471,473	59,543	531,016
2021/2025	423,761	36,571	460,332
2026/2030	374,348	22,568	396,916
2031/2035	114,557	14,713	129,270
2036/2040	<u>31,680</u>	<u>4,829</u>	<u>36,509</u>
Total	<u>2,199,878</u>	<u>325,457</u>	<u>2,525,335</u>

MONROE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Utility Bonds Payable:

Bond Issue:	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2004	Current Year Changes			Outstanding June 30, 2005
					Issued	Matured		
Culinary Water Revenue Bonds - 1998A Division of Water Resources	1998	2.5%	400,000	338,000	-	13,000		325,000
Culinary Water Revenue Bonds - 1998B Division of Water Resources	1998	2.28%	300,000	237,000	-	13,000		224,000
Culinary Water Revenue Bonds - 1998C Division of Water Resources	1998	4.5%	200,000	188,297	-	2,419		185,878
Irrigation Water Revenue Bonds - 2002 Community Impact Board	2002	0.0%	100,000	95,000	-	5,000		90,000
Culinary Water Revenue Bonds - 2005 Community Impact Board	2005	2.59%	1,375,000	-	1,375,000	-		1,375,000
Total			2,375,000	858,297	-	33,419		2,199,878

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 10 - WATER IMPACT FEES

On May 2, 2001, Monroe City adopted a water impact fee ordinance to encourage and expedite the orderly growth and development of the City. The impact fee, calculated as an expression of new equivalent residential connection, imposed as a condition precedent to a water connection is used to offset the proportionate impact of the development activity.

The water impact fee was amended on September 17, 2001.

The impact fee schedule is based on an "Equivalent Residential Connection" as follows:

Single Family Dwelling	3,000
------------------------	-------

Two Family and Multiple Family Dwelling:

Each Dwelling Unit	3,000
--------------------	-------

Monroe City Annexation Territory Dwelling Units:

Each Dwelling Unit	1,582
--------------------	-------

Commercial:

The commercial fee will be computed by the Public Works Director as follows:

The Public Works Director will estimate the annual indoor use in gallons, divide that number by 100,000 gallons and then round that quotient down to the nearest 0.50 ERC. (1 ERC = \$3,000)

The City is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for a system or other expenditures allowed by law.

These funds must be expended within six years from receipt or refunded with interest to the payer.

The total impact fees and interest collected through June 30, 2005, were \$200,165. Expenditures to date totaled \$135,154 and interest earned was \$10,783. The balance at year end was \$75,794.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 11 - CLASS "C" ROADS

The following schedule is a statement of revenues, expenditures and changes in Class "C" Roads:

Balance - Beginning of Year		78,000
Receipts:		
Class "C" Road Allotment	85,320	
Interest	<u>2,035</u>	
Total Receipts		87,355
Expenditures:		
Maintenance		<u>(88,355)</u>
Balance - End of Year		<u><u>77,000</u></u>

NOTE 12 - CEMETERY PERPETUAL CARE FUND

The following schedule is a statement of revenues, expenses and changes in fund balances:

Fund Balance - Beginning of Year	127,212
Operating Revenues:	
Sale of Perpetual Care	3,637
Expenses	<u>-</u>
Fund Balance - End of Year	<u><u>130,849</u></u>

NOTE 13 - TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	11,300
Capital Projects Fund	<u>11,300</u>	<u>-</u>
	<u><u>11,300</u></u>	<u><u>11,300</u></u>

Transfers were made for the following purposes:

- * The General Fund transferred \$11,300 to the Capital Projects Fund for future capital outlays.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 14 - COMMITMENTS

Power Consumption Agreements

Hunter Project:

Monroe City has entered into a power sales contract which expires in June 2027 to purchase approximately .130% of the output of the Intermountain Power Project (IPP). As long as any of the Intermountain Power Agency Bonds are outstanding, the contract cannot be terminated or amended in a manner that would impair or adversely affect the rights of bond holders. The City has also entered into a power layoff contract with certain Southern California Utilities in which they agree to take delivery of all of the City's IPP excess power entitlement. The City may recall up to 100% of its entitlement upon meeting certain notification requirements.

In June 1982, the City entered into a power sales contract with Utah Associated Municipal Power Systems (UAMPS), a political subdivision of the State of Utah that plans, finances and operates electric power projects and of which the City is a member. The contract entitles the City to .7948% of the output of the Hunter Steam Electric Generating Unit No. 2 (Hunter II) and expires upon the occurrence of certain events, not to extend beyond June 1, 2032. The City is also obligated for .7942% of the debt issued to finance the acquisition of the facility, or \$303,102 in revenue bonds outstanding at June 30, 2005. The City's payment of power, operating, and debt service costs with the Hunter II facility are recorded in its financial statements as purchased power.

The City is obligated on a "take or pay" basis in a power purchase agreement entitling the City to .6524% of the electrical capacity of the Colorado River Storage Project through 2024.

Payson Project:

Monroe City entered into a contract with UAMPS in 2004 to participate in the Payson (Nebo) Project, which is a natural gas fired generating plant. Monroe City's share of this project is 600 kw. The contract obligates Monroe City to .4518% of the debt issued to finance the acquisition of the facilities, or \$455,640 in revenue bonds outstanding at June 30, 2005. This project is a peaking resource and only runs during high load hours. Participation in this project allows further diversification of the City's available power resources so they don't depend solely on hydro power.

CRC Note:

Another obligation of Monroe City is payment of .3089% of UAMPS obligation of \$7,904,833 cost recovery note. The City's portion of this principal outstanding June 30, 2005, was \$25,794. The debt was occurred in 2001 when UAMPS entered into power contracts on behalf of their members during the time power costs were extremely high due to deregulation of some power markets and because some companies such as ENRON manipulated the power prices and created an artificial market. When the Federal Energy Regulatory Commission (FERC) took control of the power market and ENRON declared bankruptcy, market prices dropped drastically, leaving UAMPS obligated to take care of this debt. The debt will be paid off June 2006.

**MONROE CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 15 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Monroe City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Monroe City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Monroe City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003, respectively were; for the Noncontributory System, \$32,187.01, \$25,459.55 and \$24,216.56. The contributions were equal to the required contributions for each year.

NOTE 16 - RISK MANAGEMENT

The City's risk management activities are recorded in the fund who activities give rise to the risk, or in the General Fund if a reasonable allocation of risk cannot be made. The City manages risks associated with employee life and health, property, liability, unsecured deposits and investments, and workers' compensation and unemployment. Significant losses are covered by commercial insurance for all major risks except property (other than municipal buildings and their contents), unsecured deposits and investments, and unemployment, for which the City retains the risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

MONROE CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 16 - RISK MANAGEMENT (CONTINUED)

Historically, the City has not incurred significant losses as a result of claims for which it retains the risk of loss, and accordingly, has not established a provision for potential claims.

The following is a scheduled of insurance policies and fidelity bonds in force as of June 30, 2005:

<u>Carrier</u>	<u>Risks Covered</u>	<u>Amount of Coverage</u>		<u>Expiration</u>
Old Republic Surety Co.	Fidelity Bonds	Treasurer	122,000	12/02/2005
		Recorder	110,000	
		Dep. Treasurer	15,000	
		Mayor	110,000	
Utah Local Governments Trust	Prop. Damage	Property	42,500	07/01/2005
		Buildings	2,299,068	
		Contents	274,139	
		Electrical	30,450	
Utah Local Governments Trust	Auto Damage			07/01/2005
Utah Local Governments Trust	Liability		2,000,000	09/16/2005
Utah Local Governments Trust	Workers Comp.		100,000	12/31/2005

(This page contains no information and
is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**MONROE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>179,346</u>	<u>179,346</u>	<u>179,346</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	64,450	66,000	67,451	1,451
Prior Years Taxes	3,000	3,000	4,054	1,054
General Sales and Use Taxes	135,000	131,068	150,720	19,652
Telecommunications Tax	-	15,000	22,918	7,918
Franchise Taxes	1,500	2,600	2,613	13
Fee-In-Lieu	<u>23,000</u>	<u>23,000</u>	<u>31,997</u>	<u>8,997</u>
Total Taxes	<u>226,950</u>	<u>240,668</u>	<u>279,753</u>	<u>39,085</u>
Licenses and Permits:				
Business Licenses	1,200	1,200	1,290	90
Non-Business Licenses and Permits	<u>2,740</u>	<u>2,640</u>	<u>2,664</u>	<u>24</u>
Total Licenses and Permits	<u>3,940</u>	<u>3,840</u>	<u>3,954</u>	<u>114</u>
Intergovernmental Revenue:				
State Grants	306,852	3,900	3,852	(48)
Federal Grants	75,000	121,123	52,813	(68,310)
State Liquor Allotment	900	950	1,105	155
Class C Road	-	110,000	85,320	(24,680)
County Fire Contract	16,000	20,000	20,000	-
Electric Administrative Fee	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total Intergovernmental Revenue	<u>468,752</u>	<u>325,973</u>	<u>233,090</u>	<u>(92,883)</u>
Charges for Services:				
July 24th Receipts	-	10,800	9,922	(878)
Park Fees	200	200	255	55
Sale of Cemetery Lots	9,000	8,000	6,456	(1,544)
Other	<u>8,700</u>	<u>2,650</u>	<u>4,333</u>	<u>1,683</u>
Total Charges for Services	<u>17,900</u>	<u>21,650</u>	<u>20,966</u>	<u>(684)</u>

**MONROE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Miscellaneous Revenue:				
Interest	5,500	4,282	9,171	4,889
Oil and Gas Lease Revenues	-	-	127,432	127,432
Other	1,500	3,050	10,585	7,535
Transfers from Other Funds	15,000	11,347	11,347	-
Use of Fund Balance	45,288	50,332	-	(50,332)
Total Miscellaneous Revenue	67,288	69,011	158,535	89,524
Amounts Available for Appropriation	964,176	840,488	875,644	35,156
Charges to Appropriations (Outflows):				
General Government:				
Salaries	50,000	45,600	45,530	70
Administration	68,660	83,350	81,238	2,112
Total General Government	118,660	128,950	126,768	2,182
Public Safety:				
Fire Department	411,350	100,670	100,374	296
Law Enforcement	46,000	46,000	46,000	-
Total Public Safety	457,350	146,670	146,374	296
Streets and Public Improvements:				
Streets	69,050	66,750	61,895	4,855
Class C Roads	40,000	129,000	88,355	40,645
Total Streets and Public Improvements	109,050	195,750	150,250	45,500
Parks and Recreation:				
Cemetery	39,350	33,250	29,228	4,022
Library	35,770	120,152	57,591	62,561
Parks	24,650	36,370	31,168	5,202
Total Parks and Recreation	99,770	189,772	117,987	71,785
Nondepartmental:				
Transfer to Capital Projects Fund	-	-	11,300	(11,300)
Total Charges to Appropriations	784,830	661,142	552,679	108,463
Budgetary Fund Balance - June 30, 2005	179,346	179,346	322,965	143,619

**MONROE CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	875,644
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(179,346)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(11,347)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>684,951</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	552,679
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>(11,300)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>541,379</u></u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**MONROE CITY
NONMAJOR GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Municipal Building Authority:

The Municipal Building Authority Fund is used to construct public facilities in the City and to pay the indebtedness related to the cost of those facilities.

CAPITAL PROJECTS FUND

Capital Projects:

The Capital Projects Fund is used to account for the acquisition of capital assets or construction of major capital improvements.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**MONROE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	<u>Municipal Building Authority</u>	<u>Capital Projects</u>	<u>Permanent Fund Perpetual Care</u>	<u>Nonmajor Government Funds</u>
ASSETS				
Cash and Cash Equivalents	<u>933</u>	<u>41,428</u>	<u>130,849</u>	<u>173,210</u>
TOTAL ASSETS	<u><u>933</u></u>	<u><u>41,428</u></u>	<u><u>130,849</u></u>	<u><u>173,210</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved, Reported in:				
Capital Projects Fund	<u>933</u>	<u>41,428</u>	<u>-</u>	<u>42,361</u>
Perpetual Care Fund	<u>-</u>	<u>-</u>	<u>130,849</u>	<u>130,849</u>
Total Fund Balances	<u><u>933</u></u>	<u><u>41,428</u></u>	<u><u>130,849</u></u>	<u><u>173,210</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>933</u></u>	<u><u>41,428</u></u>	<u><u>130,849</u></u>	<u><u>173,210</u></u>

MONROE CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2005

	Municipal Building Authority	Capital Projects	Permanent Fund Perpetual Care	Nonmajor Government Funds
Revenues:				
Interest	1,808	-	-	1,808
Perpetual Care	-	-	3,637	3,637
Total Revenues	<u>1,808</u>	<u>-</u>	<u>3,637</u>	<u>5,445</u>
Expenditures:				
Capital Outlays	400,875	-	-	400,875
Excess of Revenues Over (Under) Expenditures	<u>(399,067)</u>	<u>-</u>	<u>3,637</u>	<u>(395,430)</u>
Other Financing Sources (Uses):				
Bond Proceeds	150,000	-	-	150,000
Grant Proceeds	250,000	-	-	250,000
Transfer to General Fund	-	(11,347)	-	(11,347)
Transfer from General Fund	-	11,300	-	11,300
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>(47)</u>	<u>-</u>	<u>399,953</u>
Net Change in Fund Balance	933	(47)	3,637	4,523
Fund Balances - Beginning	-	41,475	127,212	168,687
Fund Balances - Ending	<u><u>933</u></u>	<u><u>41,428</u></u>	<u><u>130,849</u></u>	<u><u>173,210</u></u>

MONROE CITY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

	Nonmajor Business-Type Activities Enterprise Fund			
	<u>Sewer</u>	<u>Landfill</u>	<u>Garbage</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	227,888	30,510	7,632	266,030
Accounts Receivable	<u>4,663</u>	<u>4,701</u>	<u>5,435</u>	<u>14,799</u>
 TOTAL ASSETS	 <u><u>232,551</u></u>	 <u><u>35,211</u></u>	 <u><u>13,067</u></u>	 <u><u>280,829</u></u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	<u>-</u>	<u>-</u>	<u>5,280</u>	<u>5,280</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>-</u>	 <u>5,280</u>	 <u>5,280</u>
NET ASSETS:				
Unrestricted	<u>232,551</u>	<u>35,211</u>	<u>7,787</u>	<u>275,549</u>
 TOTAL NET ASSETS	 <u><u>232,551</u></u>	 <u><u>35,211</u></u>	 <u><u>7,787</u></u>	 <u><u>275,549</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>232,551</u></u>	 <u><u>35,211</u></u>	 <u><u>13,067</u></u>	 <u><u>280,829</u></u>

MONROE CITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

	Nonmajor Business-Type Activities Enterprise Fund			
	<u>Sewer</u>	<u>Landfill</u>	<u>Garbage</u>	<u>Total</u>
Operating Revenues:				
Charges for Sales and Services:				
Utility Charges	-	51,079	62,035	113,114
Service and Connection Fees	<u>46,964</u>	<u>-</u>	<u>-</u>	<u>46,964</u>
Total Operating Revenues	<u>46,964</u>	<u>51,079</u>	<u>62,035</u>	<u>160,078</u>
Operating Expenses:				
Administration	<u>-</u>	<u>44,022</u>	<u>62,079</u>	<u>106,101</u>
Total Operating Expenses	<u>-</u>	<u>44,022</u>	<u>62,079</u>	<u>106,101</u>
Operating Income	<u>46,964</u>	<u>7,057</u>	<u>(44)</u>	<u>53,977</u>
Nonoperating Revenues (Expenses):				
Interest Income	<u>2,007</u>	<u>767</u>	<u>622</u>	<u>3,396</u>
Total Nonoperating Revenues (Expenses)	<u>2,007</u>	<u>767</u>	<u>622</u>	<u>3,396</u>
Change in Net Assets	48,971	7,824	578	57,373
Total Net Assets - Beginning	<u>183,580</u>	<u>27,387</u>	<u>7,209</u>	<u>218,176</u>
Total Net Assets - Ending	<u><u>232,551</u></u>	<u><u>35,211</u></u>	<u><u>7,787</u></u>	<u><u>275,549</u></u>

MONROE CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

	Nonmajor Business-Type Activities Enterprise Fund			
	<u>Sewer</u>	<u>Landfill</u>	<u>Garbage</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Receipts From Customers	46,660	50,800	61,465	158,925
Payments to Suppliers	<u>-</u>	<u>(44,022)</u>	<u>(61,674)</u>	<u>(105,696)</u>
Net Cash Provided by Operating Activities	<u>46,660</u>	<u>6,778</u>	<u>(209)</u>	<u>53,229</u>
Cash Flows from Investing Activities:				
Interest Received	<u>2,007</u>	<u>767</u>	<u>622</u>	<u>3,396</u>
Net Cash Provided (Used) by Investing Activities	<u>2,007</u>	<u>767</u>	<u>622</u>	<u>3,396</u>
Net Increase (Decrease) in Cash and Cash Equivalents	48,667	7,545	413	56,625
Cash and Cash Equivalents - Beginning	<u>179,221</u>	<u>22,965</u>	<u>7,219</u>	<u>209,405</u>
Cash and Cash Equivalents - Ending	<u><u>227,888</u></u>	<u><u>30,510</u></u>	<u><u>7,632</u></u>	<u><u>266,030</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:				
Operating Income	<u>46,964</u>	<u>7,057</u>	<u>(44)</u>	<u>53,977</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:				
Increase (Decrease) in Operating Assets:				
Accounts Receivable	(304)	(279)	(570)	(1,153)
Accounts Payable	<u>-</u>	<u>-</u>	<u>405</u>	<u>405</u>
Total Adjustments	<u>(304)</u>	<u>(279)</u>	<u>(165)</u>	<u>(748)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>46,660</u></u>	<u><u>6,778</u></u>	<u><u>(209)</u></u>	<u><u>53,229</u></u>

(This page contains no information and
is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe City as and for the year ended June 30, 2005, which collectively comprise Monroe City's basic financial statements and have issued our report thereon dated November 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Monroe City in a separate letter dated November 23, 2005.

Honorable Mayor and City Council
Monroe City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

November 23, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

We have audited the financial statements of Monroe City, for the fiscal year ended June 30, 2005, and have issued our report thereon dated November 23, 2005. As part of our audit, we have audited Monroe City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance: (However, these programs were subject to testwork as part of the audit of Monroe City's financial statements.)

Library Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

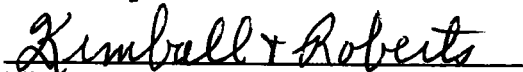
The management of Monroe City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council
Monroe City
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Monroe City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

November 23, 2005
Richfield, Utah

MONROE CITY
MANAGEMENT LETTER
JUNE 30, 2005

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

During our audit of the funds of Monroe City for the fiscal year ended June 30, 2005, we noted certain areas needing corrective action in order for the City to be in compliance with state laws and regulations. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance

Utah Code 10-6-116(2) states that the maximum fund balance in the General Fund may not exceed 18% of the total estimated revenue of the General Fund.

Finding:

The total estimated revenue for the General Fund for the year ending June 30, 2005, was \$610,810. The allowed fund balance would be \$109,946. The unreserved fund balance at June 30, 2005, is \$245,965, which is in excess of that allowed by law.

Recommendation:

We recommend that the City reduce the fund balance in the General Fund to the limits allowed by State law.

Response:

We have reviewed the above finding with management and their response is attached.

Budget

Cities, Towns and Counties are required to submit their approved budgets to the State Auditors office after the budgets have been adopted.

Finding:

The budget for Monroe City has not been remitted to the State Auditor's office. The State Auditor has instructed the State Tax Commission and the Sevier County Treasurer to hold the City's funds until the City sends the budget to the State Auditor.

Honorable Mayor and City Council
Monroe City
Page -2-

Recommendation:

We recommend that the adopted budget be remitted to the State Auditor's office as soon as possible. Upon receipt of the budget, the State Auditor will advise the State Tax Commission and the Sevier County Treasurer to release the funds to the City.

Response:

We have reviewed the above finding with management and their response is attached.

Cash Management

Utah Code 51-4-2(2) requires that all public funds be deposited daily, whenever practicable, but no later than three business days after receipt.

Finding:

In our tests of cash management we noted that some deposits were made later than the required three days after receipt.

Recommendation:

We recommend that all receipts be deposited daily, whenever practicable, but no later than three business days after receipt.

Response:

We have reviewed the above finding with management and their response is attached.

OTHER MATTERS:

During the course of the audit we noted that the Recorder has many other responsibilities that are keeping her occupied so that she does not have adequate time to devote to the numerous duties presently assigned to her. We suggest that some of the Recorder's duties be delegated to the Treasurer.


The City presently has one full-time recorder, a part-time Treasurer and a part-time Deputy Treasurer and the City offices do not open until noon each weekday.

Monroe City is currently serving its citizens with electric power, culinary and pressurized water and many other services. It would appear that it is time for the City to employ a full-time Recorder, a full-time Treasurer and a part-time Deputy Treasurer and to open the office the entire business day. This would allow the public to have more access to the City offices and thus be better served.

Honorable Mayor and City Council
Monroe City
Page -3-

We would like to take this opportunity to thank Monroe City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

November 23, 2005
Richfield, Utah

COUNCIL MEMBERS

Pat Lee
Jean C. Okerlund-Vigil
Johnny Parsons
Perry Payne
J. Oscar Winget

Monroe City Corporation

"Little Green Valley"



Officers

Emalee H. Curtis, CMC/AE, Recorder
Allison Leavitt, Treasurer
Diane Johnson, Deputy Treasurer
Douglas K. Gadd, Public Works Director

R. Craig Mathie, Mayor

December 1, 2005

Administration response to audit letter to management:

Thank you for the opportunity to respond to the recommendations in the management letter that accompanies your audit report.

BUDGET SUBMISSION- We concur that our annual budget should be submitted to the state auditor's office by the prescribed deadline. Our tardiness was an administrative error which has now been corrected. The city administration is committed to meeting the required deadline for all future budget submissions.

CONTINGENCY RESERVE LIMIT- We also concur with this recommendation. The city received an approximately \$130,000 oil lease payment at the very end of June after the final budget adoption. The council did not have an opportunity to allocate these excess reserve funds. The council is committed to act in a timely manner to transfer the overage in the unappropriated reserve fund to capital projects. Administration is also committed to maintaining the unappropriated reserves in the general fund at or below the required limit.

TIMELY BANK DEPOSITS- We agree that deposits need to be made a maximum of three working days after funds are received. Closure of Monroe's only local bank for a period of several weeks required us to make a 20 mile round trip to a neighboring community to make bank deposits. There was an occasion when scheduling of staff and workload resulted in a delayed deposit. We are now doing business with a local bank again so we do not foresee this error re-occurring.

We appreciate working with you to complete our annual audit.

Sincerely,

R. Craig Mathie
Mayor, Monroe City